

MAINE WORKERS' COMPENSATION BOARD COMPLIANCE AUDIT REPORT

January 4, 2000

Travelers Insurance Company
P.O. Box 9511
Manchester, NH 03108-9511

Claims Covered by Audit:

1998 Dates of Injury

Companies Covered by Audit:

Travelers Insurance Company	NCCI # 10804
Travelers Indemnity Company of Illinois	NCCI # 13579
Travelers/Aetna C & S Company	NCCI # 11223
Travelers Indemnity Company of America	NCCI # 13439

Third Party Administration

James River Corporation	TPA # S335
Constitution State Service	TPA # S327

Examination by:

Michael R. Nadeau, Audit Manager
Marlene Swift, Auditor

Reviewed and Approved by:

Steven Minkowsky, D.D.B.A.

The results of the audit and the procedures followed have been explained to:

Name:	Title:	Date:
Roger A. Seigny	Operations Manager	Various
Margaret M. Crouch	Unit Manager	Various
Allison Martin	Unit Manager	Various

CONTENTS

Page Number

SUMMARY

3

PENALTIES

- A. Section 205(3) Penalties (payable to injured employees) 4
- B. Potential Penalties (payable to the Workers' Compensation Board) 6

INDEMNITY BENEFITS

- A. Prompt Initial Payment of Benefits 7
- B. Prompt Subsequent Payment of Benefits 7
- C. Accuracy of Average Weekly Wage 7
- D. Accuracy of Weekly Benefit Rate 7

CASE MANAGEMENT TECHNIQUES

- A. Penalties Miscoded 8

FORM FILING

- A. First Report, WCB-1 9
- B. Wage Statement, WCB-2 9
- C. Memorandum of Payment, WCB-3 9
- D. Discontinuance or Modification of Compensation, WCB-4 9
- E. Certificate of Discontinuance or Reduction of Compensation, WCB-8 10
- F. Notice of Controversy, WCB-9 10
- G. Statement of Compensation Paid, WCB-11 10

DETAILED CLAIM INFORMATION

CLAIMS WHERE FORMS NEED TO BE FILED

CONFIDENTIAL

SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined a sample of claim files for the period under examination to determine compliance with statutory and regulatory requirements in the following areas:

- Form filing
- Timeliness of indemnity payments
- Accuracy of indemnity payments

Our audit of 1998 claims revealed:

- Form filing compliance ranged from 69% to 100%. Most missing forms were promptly filed upon request. Eleven of the fourteen forms that have not yet been filed are a direct result of employers' failure to provide wage information to Travelers.
- Sixty-three percent of initial payments were made timely. Of the 37% (58 claims) that were not made timely, six were found to be in violation of §205(3).
- Eighty-three percent of subsequent payments were made timely.
- Eighty-two percent of Average Weekly Wage and Benefit Rate calculations were found to be accurate. Of the 11% (16 claims) that were calculated incorrectly; 4 were due additional benefits, 8 were overpaid, and payments made to the remaining claims were found to be accurate within pennies. Travelers promptly paid all additional benefits due upon identification of the aforementioned errors.

The Average Weekly Wage and Benefit Rate could not be calculated for eight claims due to employers' failure to provide wage information. Travelers' records reflect two or more attempts were made per claim to obtain wage information from the employers involved.

- No error was found in the methods used to calculate indemnity benefits.

Travelers' records were examined to ensure that all 1998 lost-time claims had been reported to the Workers' Compensation Board. Seventy-seven claims (out of 314) were found not to have been reported to the Board at the time of audit. These claims were filed promptly upon request. Travelers' claims were found to be 75% compliant for First Report filings.

The Audit Division also examined Travelers' records to ensure that all penalty payments issued by the Board had been properly classified. Twenty-six penalties were issued against Travelers between 1-17-96 and 2-10-99. Four of those penalties were miscoded. Travelers promptly corrected the miscoded penalties when they were identified by audit.

During the audit process, the Audit Division was advised by the Board's Claims Management Unit that the font used by Travelers to fill forms was often too small (hard to read). This information was passed on to Travelers at the time of audit, and they assured us that the problem would be addressed.

Travelers' personnel have been cooperative, helpful, courteous and hospitable throughout the audit process.

PENALTIES

A. Section 205(3), M.R.S.A. Penalties (payable to injured employees)

"When there is not an ongoing dispute, if weekly compensation benefits or accrued weekly benefits are not paid within 30 days after becoming due and payable, \$50 per day must be added and paid to the worker for each day over 30 days in which the benefits are not paid. Not more than \$1,500 in total may be added pursuant to this subsection. For purposes of ratemaking, daily charges paid under this subsection do not constitute elements of loss."

Penalties pursuant to 39-A M.R.S.A. Sec. 205(3) are paid directly to the injured employee. The penalties below are being sought. If you disagree, you have the right to a hearing before the Abuse Investigation Unit. Please provide proof of payment for all undisputed penalties.

CLAIM	PENALTY JUSTIFICATION	PENALTY AMOUNT
Joe Bartos vs. Philips Lighting Co. Date of Injury: 5-25-98 Travelers' File #D8U8401 WCB File #98-7219	No NOC was filed, and the first indemnity payment was made 35 days after compensation became due and payable.	\$ 250.00
Timothy Bragdon vs. Conway Central Express Date of Injury: 9-23-98 Travelers' File #BVC2786 WCB File #98-18188	No NOC was filed, and the first indemnity payment was made 53 days after compensation became due and payable.	\$1,150.00
Michael Givens vs. National Sales & Service Date of Injury: 10-23-98 Travelers' File #BVC3674 WCB File #98-17744	No NOC was filed, and the first indemnity payment was made 46 days after compensation became due and payable.	\$ 800.00
	Payment for incapacity from 12-4-98 to 1-8-98 was made 44 days after the previous indemnity payment (2-19-99)	\$ 350.00
Kelly Grover vs. Medaphis Physician Services Date of Injury: 1-28-98 Travelers' File #D8U5530 WCB File #98-1501	Payment for incapacity from 2-16-98 to 3-30-98 was made 61 days after the first indemnity payment (4-22-98).	\$1,200.00
	Payment for incapacity from 7-18-98 to 1-23-99 was made 134 days after the previous indemnity payment (12-31-98).	\$1,500.00
Richard Hautala vs. Borders Books & Music Date of Injury: 10-28-98 Travelers' File #BVC3191 WCB File #98-15190	Payment for incapacity from 12-23-98 to 12-27-98 was made 63 days after the first indemnity payment (2-24-99).	\$1,300.00

CLAIM	PENALTY JUSTIFICATION	PENALTY AMOUNT
Barbara Lord vs. Thomas & Betts Corp. Date of Injury: 6-5-98 Travelers' File #D8U8740 WCB File #98-10093	Payment for incapacity from 6-27-98 to 6-29-98 was made 59 days after the previous indemnity payment (8-21-98).	\$1,100.00
Rita Loubier vs. George T. Johnson Co., Inc. Date of Injury: 3-11-98 Travelers' File #D8U6770 WCB File #98-4657	Payment for incapacity from 5-16-98 to 5-20-98 was made 63 days after the previous indemnity payment (7-23-98).	\$1,300.00
Earl Lunney vs. Land-Air Express of Vermont Date of Injury: 6-12-98 Travelers' File #D8U8877 WCB File #98-7728	Payment for incapacity from 7-5-98 to 8-8-98 was made 66 days after the previous indemnity payment (9-11-98).	\$1,450.00
Victoria Mathies (Dipietrantonio) vs. Nabisco Date of Injury: 9-3-98 Travelers' File #BVC1380 WCB File #98-10248	Payment for incapacity from 11-13-98 to 12-9-98 was made 56 days after the previous indemnity payment (1-5-99).	\$ 950.00
Robert Parenteau vs. West Point Pepperell Date of Injury: 7-18-98 Travelers' File #D8U9963 WCB File #98-18008	No NOC was filed, and the first indemnity payment was made 54 days after compensation became due and payable.	\$1,200.00
Paul Rivard vs. Westpoint Stevens Date of Injury: 1-26-98 Travelers' File #D8U6013 WCB File #98-1835	Payment for incapacity from 5-18-99 to 6-22-99 was made 42 days after the previous indemnity payment (7-6-99).	\$ 250.00
Barbara Velez vs. Madden Group of Maine Date of Injury: 5-11-98 Travelers' File #D8U8088 WCB File #98-8965	No NOC was filed, and the first indemnity payment was made 83 days after compensation became due and payable.	\$1,500.00
Christopher Walker vs. Time Warner Cable Date of Injury: 11-10-98 Travelers' File #BVC3549 WCB File #98-17893	No NOC was filed, and the first indemnity payment was made 55 days after compensation became due and payable.	\$1,500.00
Total Penalties to Injured Employees		\$15,800.00

PENALTIES (Continued)

B. Maximum Penalties Allowed by Law

◆ 39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act.”

◆ 39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

Fourteen (14) forms were not filed (\$1,400.00).

◆ 39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

One hundred seventy-seven (177) forms were filed late (\$17,700.00).

◆ 39-A M.R.S.A. Sec. 360(2)

“The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

INDEMNITY BENEFITS

A. Prompt Initial Payment of Benefits

			1998	
			Number	Percent
Check Mailed Within:				
0-14	Days	Compliant	100	63%
15-28	Days		36	23%
29-44	Days		16	10%
45+	Days		6	4%
Total Due			158	100%
NOC Filed Timely			6	

B. Prompt Subsequent Payment of Benefits

			1998	
			Number	Percent
Check Mailed Within:				
0-7	Days	Compliant	1388	83%
8-14	Days		204	12%
15-37	Days		65	4%
38+	Days		9	1%
Total Due			1666	100.0%

C. Accuracy of Average Weekly Wage

			1998	
			Number	Percent
Calculated:				
Correct		Compliant	116	83%
Incorrect			16	11%
Unknown ¹			8	6%
Total			140	100%

D. Accuracy of Weekly Benefit Rate

			1998	
			Number	Percent
Calculated:				
Correct		Compliant	116	83%
Incorrect			16	11%
Unknown ¹			8	6%
Total			140	100%

¹ The Category "Unknown" is a result of employers' failure to provide wage information.

CASE MANAGEMENT TECHNIQUES

A. Penalties Miscoded

Penalties Assessed

		Number	Percent
Penalties Properly Coded	Compliant	22	85%
Miscoded Penalties		4	15%
Total Penalties Assessed		26	100%

Claims Where Penalties Were Miscoded

Employee	Claim Number	Penalty Amount	Code Used
Paul Fecteau	BM80429	\$ 5,000.00	Indemnity
Donna Hincks	BM85231	\$ 4,884.00	Medical
Mark Morin	AP11641	\$ 602.00	Medical
Stephen Twitchell	BT10632	\$ 1,875.00	Legal
Total Miscoded Penalties		<u>\$12,361.00</u>	

FORM FILING

A. First Report (WCB-1)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	237	75%
Not Filed		77	25%
Total		314	100%

B. Wage Statement (WCB-2)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	119	85%
Not Filed		21	15%
Total		140	100%

C. Memorandum of Payment (WCB-3)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	125	90%
Not Filed		14	10%
Total		139	100%
WCB-4A Filed ²		1	

D. Discontinuance or Modification (WCB-4)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	101	83%
Not Filed		21	17%
Total		122	100%
WCB-4A Filed ³		1	

² A WCB-4A was filed in lieu of a WCB-3.

³ A WCB-4A was filed in lieu of a WCB-4.

FORM FILING (Continued)

E. Certificate of Discontinuance or Reduction of Compensation (WCB-8)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	11	100%
Not Filed		0	0%
Total		11	100%

F. Notice of Controversy (WCB-9)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	13	69%
Filed Late		5	26%
Not Filed		1	5%
Total		19	100%
Medical Only NOC		2	

G. Statement of Compensation Paid (WCB-11)

		1998	
		Number	Percent
Received at the Board:			
Filed	Compliant	92	69%
Not Filed		41	31%
Total		133	100%